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A Look at Government's Role in Providing Childcare for Low-Income Families

Executive Summary

Congress is likely to reauthorize the federal welfare program now known as Temporary Assistance for Needy Families (TANF) this year. A part of this effort will be the reauthorization of the primary federal funding stream for childcare for low-income families, called the Child Care Development Fund (CCDF). Democrats argue that any increase in work requirements for TANF recipients will increase their childcare needs, and therefore have stated that they will seek significant increases in mandatory spending under CCDF[1].

The federal government this year will spend more than $24.5 billion this year on childcare – *more than was appropriated to fund the entire Department of Justice for 2003!* Much of this funding comes in the form of highly flexible block grants to states. States are able to target these flexible funding streams to aid low-income families (those on TANF as well as those who are not) or to subsidize a broader group of families. This paper will demonstrate that the federal investment in childcare is both substantial and sufficient. It will show that the claim of inadequate funding is based on unreliable data and unverifiable assumptions about low-income families, and that, in fact, the childcare needs of TANF families are being met. Additionally, it will document the significant federal government childcare subsidies and benefits to other (non-TANF-eligible) low-income families.

In addition to the issue of funding, policymakers will want to explore what means will best help TANF families become successful and self-sufficient. One answer is readily available: by any measure, children with the best chance of success in life come from two-parent homes. The simultaneous proliferation of single-parent families and increasing reliance on outside childcare is no coincidence. Single mothers make up the bulk of the welfare caseload and have the most pressing need for childcare. Greater family support would not just diminish single mothers' need for outside childcare, but would reduce their likelihood of becoming impoverished in the first place. Strengthening families is a formidable goal, but the rewards would be profound and enduring. President Bush has proposed $200 million in state grants for voluntary programs to encourage strong and healthy marriages. States who choose to adopt such plans would have access to federal funding under the Administration's TANF reauthorization proposal.

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[1]See, for example, Senate Report 108-37, Minority Views, p. 34.

Introduction

Support for poor children has been the overriding goal of the federal welfare program since its inception. Over many decades, the shape of the welfare program has shifted from providing poor children with services to giving mothers and guardians of poor children direct cash payments. A powerful impetus for the most recent reforms was the belated realization of the system's disincentives for self-sufficiency and its invitations to abuse. As Republicans frequently cautioned, the system actually rewarded individuals for keeping children in poverty by offering mothers a lifetime of government dependence with minimal obligations. The tragic cycle of impoverished children having children so they could remain on welfare was often observed, but it took the Republican party, exercising tremendous political courage, to address it.

In examining the success of welfare reform, it is important to compare today's situation to 1996 when the reform bill was finally enacted. The 1996 law, the TANF Act, was opposed by many liberal politicians and left-wing groups who promised that the reforms would push children into poverty.[2] Instead, 2.4 million fewer of today's children live in poverty, and the welfare caseload has dropped in half. Today, fewer children are born to households led by single mothers (which were almost five times more likely to be poor than married households in 2001[3]); more single mothers are employed; and more single mothers are seeing their incomes increasing.[4]

The key to this success was the focus on moving adults into employment, encouraging stronger families, and giving states flexibility to provide the services, including childcare, that families needed to become self-sufficient. As part of the 1996 welfare reform effort, the Childcare Development Fund (CCDF), the primary federal childcare funding stream for low-income families, was restructured as a federal block grant. As a block grant, the program encourages states to provide childcare programs and subsidies for low-income working families, especially those transitioning from welfare to employment. Since 1996 the two laws, TANF and CCDF, have been linked together for reauthorization purposes.

This year, during its reauthorization of the TANF Act, the Senate is likely to debate federal funding levels for childcare. Last year, Democrats on the Senate Finance Committee called for doubling, tripling, or even quadrupling childcare spending in the Childcare Development Fund (CCDF).

This paper will establish that the federal government already spends significant sums on childcare – more than is commonly cited – and already gives states broad flexibility to increase their childcare

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[2] For survey of predictions, see "Welfare Quotes: They Said It," The Heritage Foundation WebMemo #126, http://www.heritage.org/Research/Welfare/WM126.cfm.

[3]The most recent Census Bureau data from 2001 found that 7 percent of married couples with related children under age 18 were in poverty, while 33 percent of single women with dependent children under age 18 were in poverty. Narrowing the classification to families with children under age 6 increases the disparity ratio to 8:48 percent. http://ferret.bls.census.gov/macro/032002/rdcall/3_001.htm

[4]Temporarily Assistance for Needy Families Program (TANF), Fifth Annual Report to Congress, February 2003, Department of Health and Human Services.

spending on needy families. This paper also will examine an opportunity before Congress to make a real difference in the financial situation and well-being of poor children – without substantial increases in childcare subsidies. The Marriage Initiative proposed by President Bush will encourage formation of the one factor in a child's life which will most determine his success, and for which no government program can substitute: a stable, married, two-parent home.

What the Federal Government Currently Spends on Childcare

Determining how much money the federal government spends on childcare is complicated because the spending is spread among several separate programs, and also is provided in the form of tax benefits. Despite the complexity, it is important to look at the whole picture when childcare spending for low-income families is discussed.

The funding itemized in Chart 1 is limited strictly to federal funding and tax credits which directly subsidize childcare, that is, only programs in which a child is cared for outside of the presence of a parent. Using that criteria, the federal government will spend an estimated \$21 billion for childcare and pre-school programs in FY03, plus will forego another \$3.5 billion in revenue from tax credits. That represents a more than \$24.5-billion annual cost.[5] That figure, for comparison's sake, is about the same amount as what Congress appropriated to fund the entire Department of Justice for Fiscal Year 2003.

Democrats have disputed these numbers. They claim that some of the programs, such as Head Start, are not childcare because they were designed as early education programs and are not targeted to meet the needs of working parents.[6] For accounting purposes, this distinction is meaningless. A federally funded program that provides supervised care for children based on income both acts as a childcare service and reduces the need for additional childcare outside of that program.

[5] Additionally, several of the spending programs cited in Chart 1 require states to expend matching funds to draw down federal dollars. In 2003, matching funds expended on childcare will total almost \$6 billion. For 2003, HHS calculates that states' match for CCDF, TANF and SSBG is \$3 billion and states' match for pre-kindergarten programs is \$2.9 billion.

[6] Senate Report 108-37, Additional Views, p. 27.

Chart 1

Federal and State Spending on Childcare in Fiscal Year 2003

CCDF mandatory	$2,700,000,000
CCDF discretionary - this is referred to as Child Care Development Block Grant (CCDBG)	$2,100,000,000
TANF transfer into CCDF	$1,900,000,000
Direct Spending from TANF on childcare (2001 data used)	$1,600,000,000
Social Services Block Grant[7] spent on childcare (2000 data used, when the SSBG appropriation was $2.38 billion. In FY03 it is estimated to be $1.65 billion)	approximately $165,000,000
Dept. of Education pre-kindergarten programs	$1,700,000,000
Head Start	$6,700,000,000
21st Century Learning Centers (before/after-school programs, and summer programs)	$1,000,000,000
IDEA grants: preschool/infants and families	$864,000,000
Child Care Access Means Parents in School (funds post-secondary campus-based care)	$15,000,000
Department of Defense childcare programs	$380,000,000
Rent Paid to Government Service Agency by federal agencies for child care facilities benefitting primarily federally employed families (1998 data from GSA latest available)	$19,273,000
Child Care Subsidy Program for federal employees (FY 2002 data from OMB)	$3,387,000
Child and Adult Care Food program (only funds spent for child portion)	$1,900,000,000
Dependent Care Tax Credit (DCTC) and the exclusion from income for employer-provided dependent care assistance programs (DCAP). (child portion)	$3,500,000,000 (foregone revenue)

[7] States are permitted to use funds from the Social Services Block Grant (SSBG, also referred to as Title XX). In FY03, $1.65 billion is expected to be used to provide childcare, based on past practices. States have spent from 6 percent to 13 percent of SSBG on childcare in the last few years.

TOTAL CHILDCARE SPENDING	**$24,546,660,000**

The Child Care Development Fund (CCDF)

The CCDF, the primary childcare funding stream, is up for reauthorization this year. Democrats unsuccessfully attempted to triple and quadruple CCDF in the 107th and 108th Congresses, and have stated their intention to do so again this year. CCDF is a block grant to states which was reauthorized as part of the 1996 welfare reform law, and since then, CCDF appropriations have increased by 150 percent. In 2003, a total of $4.8 billion went to states through CCDF, $2.1 billion of which was discretionary and $2.7 billion of which was mandatory entitlement spending.[8]

The federal government permits CCDF-funded benefits to be available for families with incomes up to 85 percent of each state's median income, which could conceivably include around 40 percent of the population, many of whom might not even consider themselves to be low-income.[9] For example, CRS reports that Connecticut provides CCDF subsidies to families of three with incomes of up to $48,000, an amount equal to 325 percent of the federal poverty level.[10]

When advocates discuss the number of eligible families enrolled in CCDF programs, it is important to remember that the eligibility standards vary from state to state – and so in some cases include more than the working poor. States are encouraged to target low-income families for CCDF assistance, and many have done so by adopting a stricter eligibility standard than required. However, eligibility is more than twice the poverty level in half of the states.[11] Further, it is important to recognize that the states have a vast degree of flexibility under current federal funding levels to provide childcare for their neediest children. States' use of this flexibility will be addressed in the next section of this paper.

Other Federal Subsidies

Beyond CCDF spending, there is additional government spending which covers and subsidizes the costs of caring for lower-income children. In FY03, the federal government spent $1.7 billion on pre-kindergarten programs, $6.7 billion on Head Start, $1 billion on 21st Century Learning Centers (which fund before- and after-school programs), $864 million in Individuals with Disabilities Act (IDEA) grants for preschoolers and infants and families, and $15 million for the Child Care Access Means Parents in School program (which funds post-secondary, campus-based childcare). Under the Child and Adult Care Food program, $1.9 billion will be spent in FY03 to provide food for children in childcare settings.

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[8] The Discretionary portion of CCDF is referred to as Child Care Development Block Grant (CCDBG). The discretionary and mandatory block grants combined are referred to as CCDF.

[9] The 85 percentile of the bottom half of the population would be 42.5 percent of the population.

[10] This CRS calculation uses 2001 rates. In 2001, the Federal Poverty Guideline for a family of three was $14,630. For 2003, it is $15,260.

[11] Melinda Gish and Shannon Harper, "Child Care: State Programs Under the Child Care and Development Fund," Congressional Research Service, Pub. No. RL31605.

Federal dollars are also spent to subsidize federal employees. For example, the Department of Defense will spend $380 million this year alone to provide childcare for military families at a cost based on the families' income levels. Other federal employees benefit from the Child Care Subsidy Program, signed into law by President Bush as a provision in the FY2002 Treasury Postal Appropriations Act. Through this program, executive agencies provided $3.4 million in childcare subsidies to low-income employees. Additionally, executive agencies rent space in Government Services Administration (GSA) buildings to provide childcare centers for agency employees. The most recent data GSA was able to provide is from 1998, when agencies paid GSA over $19 million for 113 such centers.

Childcare Tax-Relief Provisions

The federal government also subsidizes childcare though two tax provisions. These provisions cover expenses for the care of children under age 13 and of older dependents with disabling conditions. The dependent care tax credit (DCTC) reduces a working family's federal tax burden by up to 35 percent of that family's dependent care expenses. As of 2003, the DCTC is capped at $3,000 for a single child and $6,000 for two children. The Dependent Care Assistance Programs (DCAP) allows up to $5,000 to be excluded from income for employer-provided dependent care programs. The portion of these tax provisions utilized for childcare (that is, exclusive of dependent adults) will reduce revenues to the federal government by an estimated $3.5 billion in FY03.[12]

Current Spending is Flexible and Can Be Targeted To Neediest Families

States have a wide degree of flexibility to expend more federal dollars on childcare subsidies. Of the $24.5 billion in childcare spending itemized in Chart 1, almost $10 billion is delivered to the states in the form of block grants.[13] The families that states can assist with these federal dollars include families on TANF, families who have recently left TANF, and, lower-income families which have not been on TANF. The states are empowered to decide how much to subsidize individuals in each of these groups. States do this by setting eligibility limits and co-pay requirements, and determining the level of reimbursement for childcare providers.

If states perceive they are not able to provide subsidies to families who need childcare in order to work their way off TANF or to stay off TANF, current TANF appropriation levels provide surplus funding and the flexibility to spend it on childcare. However, states have not significantly exercised this option, and HHS reports that billions of dollars which could be spent on childcare remain unspent.[14]

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[12]HHS, Overview of Major Federal and State Spending for Preschool and Child Care Programs.

[13]CCDF ($4.8 billion), 30 percent of TANF (30 percent of $16.5 billion is $4.95 billion), 10 percent of SSBG (10 percent of $1.7 billion is $107 million). This does not include the $3 billion states are required to spend in state match or "maintenance of effort" to draw down these dollars.

[14]Reported by HHS Deputy Assistant Secretary for Human Services Policy Don Winstead. Based on HHS analysis of data from TANF outlays reported by the Treasury Department compared to TANF expenditure data reported by HHS.

TANF Families Receive Adequate Assistance

A close examination of states' spending patterns indicates that there is no shortage of funding for childcare for TANF families. GAO reports that TANF families receive subsidies for the full cost of childcare in most states.[15] States are free to spend any amount of their TANF block grant on childcare for TANF recipients. In the latest year for which data is available, 2001, states spent $1.6 billion of their federal TANF grant (and $1.7 billion of state matching funds) directly on childcare.[16] State welfare rolls have dropped by 58 percent since 1996, yet the states' TANF grant has remained the same, and no state has raised benefit levels (two states even lowered them). From 1997 to 2001, declining TANF caseloads allowed states to reduce the percentage of the TANF block grant spent on cash benefits from 78 percent to 32 percent, while only increasing the percentage spent on childcare from zero to 11 percent (Chart 2).

In an indication that the need is being met, the amount of the TANF block grant states spent directly on childcare for TANF families did not increase in the last two years for which data is available; in fact, it slightly decreased from 12 percent in 2000 to 11 percent in 2001 as a percentage of federal funds and from 17 percent to 16 percent as a percentage of state matching funds. The percentage spent on cash assistance in the same two years dropped 8 percent, and the number of people on TANF dropped almost 9 percent. According to HHS, which dispenses TANF funds to state welfare agencies, $2.7 billion went unspent and unobligated as of September 30, 2002.[17] Clearly, states are able to cover the full cost of childcare for TANF families with the existing TANF block grant.

Coverage of Non-TANF Families

States may apply federal funds toward subsidizing the childcare needs of non-TANF families as well, a category including both families transitioning off TANF, and those which have never been on TANF. States are free to transfer surplus TANF funds to the CCDF where they may be spent on non-TANF families. To supplement CCDF dollars ($4.8 billion in 2003), states have the ability to transfer 30 percent of their TANF block grant, which would be $4.95 billion annually from 1996-2003, into CCDF. Anticipating an increased need for childcare as more parents go from welfare to work, the TANF law contains built-in flexibility for states to effectively allow the money to follow the transitioning parents by transferring up to 30 percent of TANF resources into the CCDF.

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[15] General Accounting Office (GAO), Child Care: Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families, May 2003.

[16] HHS, TANF, Fifth Annual Report to Congress, II-9.

[17] Because these funds were not obligated in the fiscal year in which they were dispersed to the states, current law [42 U.S.C. 604(e)] prohibits states from spending them on anything except cash benefits. The Bush Administration has proposed altering this provision to allow greater flexibility for carried-over funds. Under the Administration proposal, funds carried-over from previous years could be spent on any benefit, service or activity otherwise allowed under TANF – which would include childcare.

Forty-eight states have taken advantage of the flexibility to transfer surplus TANF funds into CCDF. In 2001, 8 percent of TANF dollars, $1.9 billion, was transferred to CCDF.[18] Yet, even when states have transferred TANF funds into CCDF, they have not necessarily spent it. As of September 30, 2002, HHS reports that approximately $3 billion of TANF funds transferred into CCDF and SSBG accounts remains unspent (states have two years to spend these funds).[19] This sum of transferred but unspent funding is in addition to the $2.7 billion of unobligated funds referenced in the preceding section.

Democrats have argued that additional federal childcare funding is critical to states' ability to keep poor families off of welfare, but states' own allocations of surplus TANF funds show that all available childcare funding is not being spent.

"Unmet Demand" for Subsidized Childcare? – It's All in the Definition

With federal government spending on childcare at $24.5 billion, and more funding available through flexible block grants should states choose to use it, the question remains – is more needed? Those who would answer yes will focus on the number of families eligible for childcare subsidies compared to the percentage who *enroll*, but these numbers shed little light on the question.

A more accurate way to measure "unmet demand" is through the number of eligible families who *apply* for and *receive* subsidies. This measurement reflects the actual demand of those who need and want government assistance. A May 5, 2003 report issued by the General Accounting Office (GAO) provides the most recent data on demand. It finds that half of the states currently serve all eligible families who apply, which includes both TANF families and non-TANF lower-income families.[20] TANF families receive the highest priority in the states that do not assist all applicants.[21]

The highest priority status of TANF families is one of two factors indicating that TANF families experience little unmet demand. The other factor is the reality that states are transferring TANF funds to CCDF where the funds can be spent on non-TANF families with incomes up to 85 percent of the state median income level. If states were unable to meet the needs of high-priority TANF families, it is hard to imagine they would transfer resources from TANF to subsidize families with a less critical need.

Today, unmet demand almost always refers to non-TANF families. This demand is created when states choose to make higher-income families eligible for subsidies, and is only evidenced by enrollment rates and state waiting lists which cannot be considered reliable.

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[18]HHS, TANF, Fifth Annual Report to Congress, II-9.

[19]This is based on HHS analysis of data from TANF outlays reported by the Treasury compared to TANF expenditure data reported by HHS/ACF.

[20]GAO.

[21]GAO; The finding that TANF families' demand is being met is also asserted in: Ann Collins et al., "National Study of Child Care for Low Income Families," Abt Associates, November 2, 2000.

Unsound Data: the "Take-Up Rate"

Advocates of increased childcare subsidies frequently point to the "take-up" rate, or the number of eligible families who *enroll* in government-subsidized childcare, as a measuring stick to determine if demand is being met. In other words, they measure the number receiving a subsidy against the number of families with children that earn up to 85 percent of the state median income, or whatever alternative income threshold the state may have adopted. This statistic includes even families who never seek a subsidy. "Take-up rates" are not a reliable picture of demand because they ignore the percentage of eligible families that prefer to have a parent or relative caring for their children.

Poor families have the same preferences as other families when it comes to childcare – that is, some prefer family caregivers over childcare centers. Comparisons of the percent of eligible families who choose a parent or other relative to provide childcare to all employed families make it clear that families who qualify for government assistance make similar choices as do those who pay for their own childcare services. For example, an HHS analysis of federally-funded childcare programs documented that 56 percent of eligible families below the poverty line in 2000 enrolled their preschool children in a government-subsidized program.[22] As for the remaining 44 percent, HHS states that an unknown percentage are placed in alternative arrangements made by their families because the family prefers such care, particularly for younger children.[23] In comparison, a general survey of the employed population in 1999 revealed that a large percentage, 54 percent, choose parents or relatives to provide childcare for preschoolers.[24]

Unsound Data: Waiting Lists

As "take-up rates" are not incontrovertible evidence of insufficient funding for childcare subsidies, neither are states' childcare "waiting lists" clear evidence of unmet demand among poor families.

Waiting lists for childcare subsidies are not exclusively composed of poor families. While waiting lists exist in some states, they are not typically composed of TANF families.[25] Instead they are made up of families eligible for CCDF, which means their incomes at the time they were placed on the list were no more than 85 percent of the state median income. As discussed earlier, this is the fundamental policy choice states must face: at what income threshold should taxpayers subsidize a family's childcare costs? As states select to serve higher-income families, the larger their waiting lists become. Recent GAO data

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[22]HHS, "Child Care Eligibility and Enrollment Estimates for Fiscal Year 2000," August 29, 2002.

[23]HHS.

[24]Freya L. Sonenstein et al., "Primary Child Care Arrangements of Employed Parents: Findings from the 1999 National Survey of America's Families," The Urban Institute, May, 15, 2002.

[25]Collins et al.

reflect this correlation: of the nine states which have started waiting lists for non-TANF families since January 2001,[26] six had income thresholds of 200 percent or more.[27]

States may have waiting lists for reasons unrelated to the funding issue. Researchers have found a variety of reasons for the waiting lists, including administrative backlogs.[28] In other cases, they are evidence of poor distribution of funds within a state – a waiting list exists in one county while surplus funding exists in others. Some states do not update their waiting lists, and so the list may include families which no longer need childcare subsidy due to the age of the child or the availability of other childcare options.[29]

Data on childcare utilization does reveal one clear fact: children of two-parent families have far less need for childcare and are more regularly cared for by a parent. This is true regardless of the income level of the family. A study by the Urban Institute found that in 1999, 16 percent of children in two-parent, low-income, families were placed in childcare centers, while 70 percent were placed in the care of a parent of relatives. Among single-parent, low-income families, 29 percent were placed in childcare centers. Higher-income families reveal the same disparity: 29 percent of children of two-parent families were in childcare centers, while 39 percent of higher-income single parents placed children in childcare centers.[30] Two-parent homes clearly alleviate the need for childcare.

What No Government Service Can Provide: a Two-Parent Home

Statistical evidence substantiating the beneficial effects of marriage on children is impossible to ignore.[31] A child born and raised outside of marriage will spend an average of 51 percent of his childhood in poverty. However, a child born and raised by both parents in an intact marriage will spend only 7 percent of his childhood in poverty. Children who live in two-parents homes are less likely to be hungry, less likely to be victims of child abuse, less likely to become discipline problems in school, fail a grade, go to jail, be depressed, use drugs, carry a weapon, be sexually active as adolescents, or have children out of wedlock.[32] The cycle is clear. With these facts in mind, President Bush and congressional Republicans have pursued a strong course of action "to encourage the formation and maintenance of healthy, two-parent, married families and responsible fatherhood."[33]

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[26]Gish.

[27]GAO.

[28]Collins et al.

[29]Collins et al.

[30]Sonenstein et al.

[31]Patrick Fagan et al., "The Positive Effects of Marriage: A Book of Charts," The Heritage Foundation, April 2002.

[32]Fagan et al.

[33]White House, press release: "Overview, Promote Child Well-Being and Healthy Marriages," February 2002.

The President has proposed that TANF reauthorization include a new investment in supporting healthy marriages. His proposal, as well as legislation passed by the House, authorizes $200 million in federal funding to encourage healthy marriages. States may use funds for various purposes, including marital preparation programs, high school courses about the benefits of healthy marriage, and relationship counseling. States will have the flexibility to create a program that works for them. Of course, marriage and family formation programs cannot force anyone into marriage, but they can provide people with information about the benefits of marriage, and can provide married couples with tools to improve their marital relationships and their home environment that will benefit themselves as well as their children.

In addition to promoting healthy marriages that benefit children, the TANF legislation supported by the President also eliminates a marriage disincentive within the current TANF program. A marriage penalty of sorts exists in TANF's current structure: in an effort to lighten requirements for single parent families, states are required to move more two-parent families into work and work activities than single-parent families. In application, this means that states are required to have 90 percent of their enrolled married parents working, but only 50 percent of single parents working. Because states are subject to financial penalties for failing to meet these goals, they are more likely to pressure married parents to find work than they would single parents.[34] Certainly, employment is the foundation of self-sufficiency and should be encouraged – but encouraged fairly. The President has asked Congress to change the law and apply the same standard to both one- and two-parent families under TANF.

Conclusion

An extensive system of federally funded childcare subsidies exists today, but the full resources and flexibility of that system are too often ignored as unsound data such as "waiting lists" and "low enrollment rates" are presented as fact. Federal and state funding for childcare has rapidly increased over the past few years. The funding streams dedicated for childcare and those that can be used for childcare offer states a great degree of flexibility. When creating subsidy programs, states are able to focus on helping TANF recipients obtain childcare so that they can find employment and become independent of government assistance.

States have seized the opportunity to create programs granting subsides to families who are well above the federal definition of poverty. If funding is increased to four times its current level, as Democrats have proposed, this trend will only increase as states face demands for larger subsidies and increased eligibility. Before establishing a universal subsidy for childcare, better alternatives should be considered.

Congress should maintain current funding and maximum flexibility in the TANF and CCDF block grant and ask states to focus their subsidies on welfare families and those leaving welfare. Increased tax credits could be used to alleviate the cost of childcare for low-income working families, while avoiding the administrative costs, poor distribution of funds and uncertain availability of subsidies from state programs.

[34] HHS has imposed penalties on states 15 times for failing to meet this standard between 1997 and 2000, and many more times has entered into corrective compliance plans with states in violation. HHS, III-96-99.

Further, the Senate should review the vast array of resources already devoted to childcare services and ask not simply if spending is sufficient, but if the outcome for the children is sufficient. If growing up with two parents best prepares a child for success, that surely should be the primary goal for policymakers.

Written by RPC Labor and Education Analyst Kyle Hicks, 224-2946

Appendix
Context For the Spending Debate

The issue of providing additional childcare spending this year may arise in several legislative arenas. The CCDF reauthorization lies within two committee jurisdictions. The discretionary spending portion is overseen by the Health, Education, Labor and Pension (HELP) Committee. The mandatory spending portion is overseen by the Finance Committee. CCDF funding also arises during the budget debate, and it could also come up during the appropriations process.

<u>HELP Committee Actions</u> - Discretionary

In the Senate, the discretionary portion of the CCDF, the Child Care Development Block Grant (CCDBG), lies within the jurisdiction of the HELP Committee. On April 10, the Committee favorably reported Chairman Gregg's legislation to reauthorize CCDBG, S. 880, The Caring For Children Act. This bill raises the discretionary funding stream authorization to $2.3 billion for FY04, $2.5 billion for FY05, $2.7 billion for FY06, $2.9 billion for FY07 and $3.1 billion for FY08. The current 2003 appropriation is $2.1 billion. This authorization matches the FY 2004 Senate Budget Resolution assumptions and the amount authorized by the House of Representatives in its TANF reauthorization legislation (H.R. 4, passed on February 13). S. 880 is currently on the Senate Legislative Calendar, item number 72.

<u>Finance Committee Actions</u> - Mandatory

The Senate Finance Committee will set the mandatory spending levels of CCDF when it reauthorizes TANF, which expires June 30, 2003. Current mandatory appropriation is $2.7 billion for 2003. When the Finance Committee reported TANF reauthorization legislation last year under Democratic leadership, it approved a $5.5-billion increase over five years, more than doubling current spending. Yet, then Majority Leader Daschle voted against that bill in committee because he sought a larger increase. He then did not elect to bring it up on the Senate floor, and the Senate instead passed a temporary reauthorization which maintained current funding levels.

<u>Budget and Appropriations Process</u>

The FY 2004 Budget Resolution, (S. Con. Res. 23 passed the Senate on March 26 by a vote of 56 to 44, the conference bill, H. Con. Res 95, passed on April 11 by a vote of 51- to 50) provides for an increase in the CCDF of $3.3 billion over five years. The budget resolution assumes a $1 billion increase in mandatory authorization and a $2.3 billion increase in discretionary authorization, both of which are encompassed in the CCDF. This amount, which the Bush Administration supports, significantly increases the states' capacity to provide services. In fact, the CCDF has tripled since 1996. An amendment to increase mandatory CCDF spending by $4.6 billion over 5 years and by $9.1 billion over 10 years – a three-fold increase – failed on March 25, 2003. Those who favor increased spending may try again during the appropriations process.

<u>The House of Representatives</u>

On February 13, the House passed a H.R. 4, a TANF and CCDF reauthorization bill by a vote of 230-192. H.R. 4 adds $1 billion over five years to CCDF.